Proactive Price Management – Reduce Variability and Increase Supply Chain Savings Leveraging Collaboration and Technology

Strategic Supply Sourcing Solution

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Today's Agenda

1. The "art" of Collaboration

2. Review how structured content reveals opportunity

3. Discuss proactivity to price management

4. Share sustainable methods to improve transparency

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The "Art" of Collaboration

"*Collaboration* is where two or more people or organizations *work together* to *realize or achieve a goal or project successfully*.

Collaboration is very similar to, but *more closely aligned* than, *cooperation*. Most collaboration *requires leadership*, although the form of leadership can be social within a decentralized and egalitarian group.

Teams that work collaboratively can *obtain greater resources, recognition and reward* when facing competition for finite resources."

wikipedia

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The "Art" of Collaboration

- Finding a "partner" to help identify area's of improvement.

- Providing the right tools to provide insights.

- Partnering in delivering the results!

- How is this done???

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The Challenge Customers are Facing...
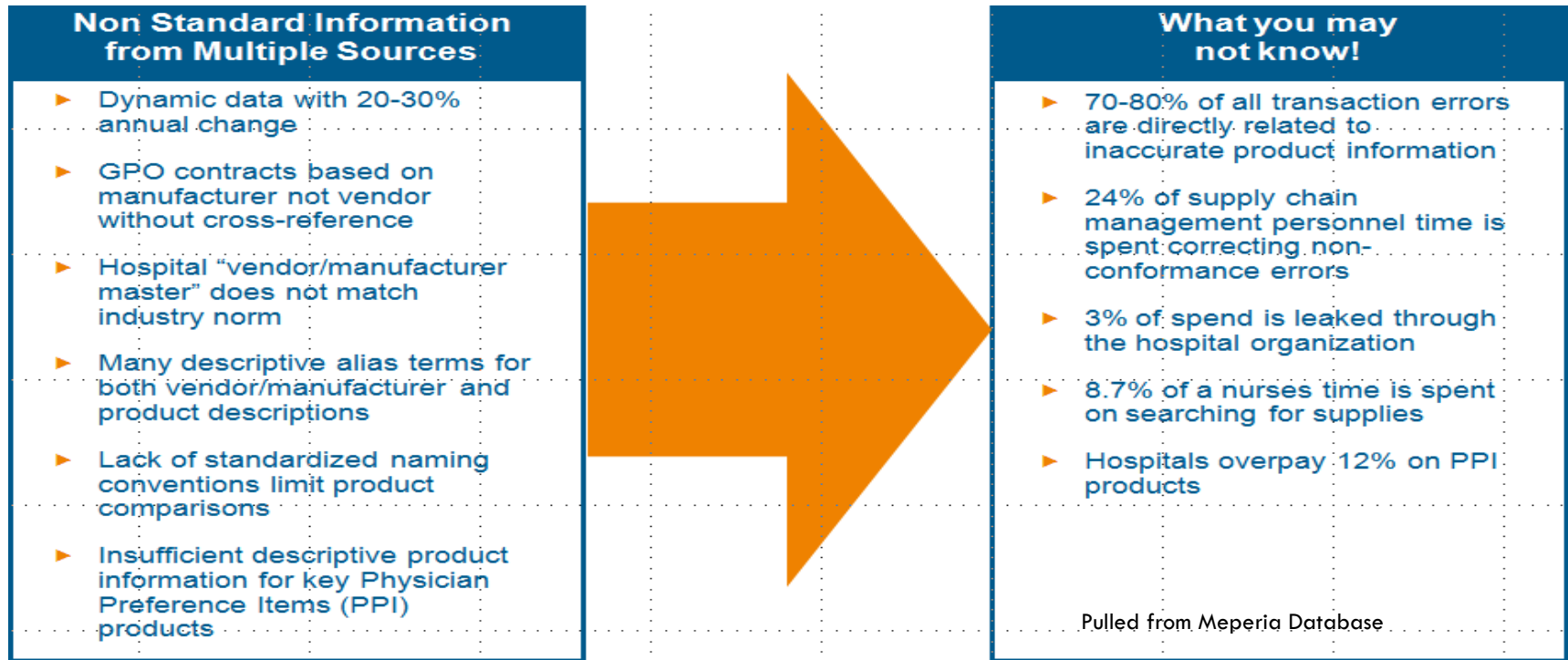
Healthcare's Supply Content Challenges

Numerous touch points for **data**

Lack of effective **data** standards
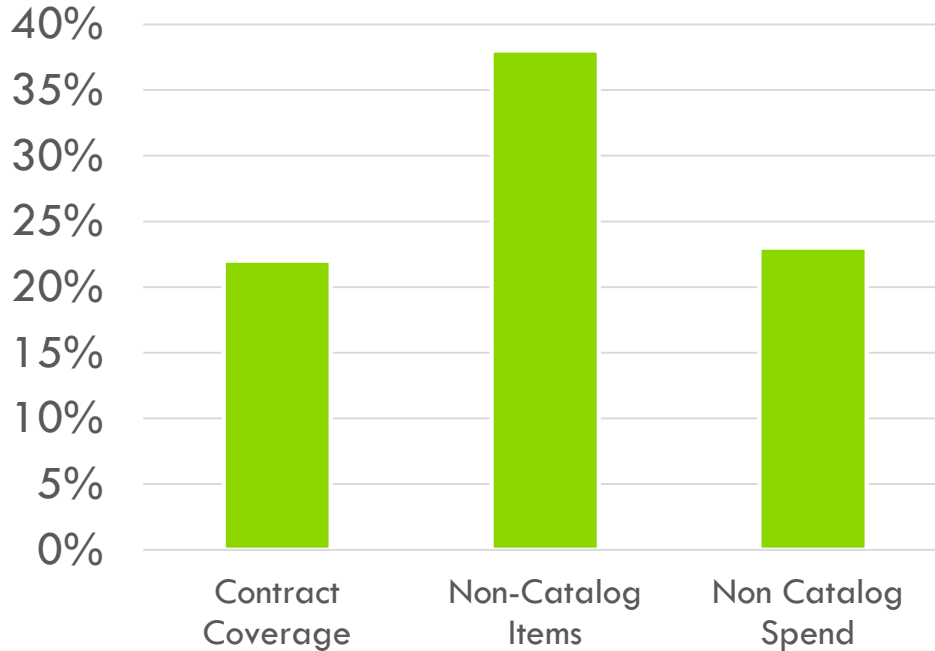
Different views of **data** are required

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Healthcare's Supply Content Challenge

The Impact of Non-Standard Data

Non Standard Information from Multiple Sources

- ▶ Dynamic data with 20-30% annual change
- ▶ GPO contracts based on manufacturer not vendor without cross-reference
- ▶ Hospital "vendor/manufacturer master" does not match industry norm
- ▶ Many descriptive alias terms for both vendor/manufacturer and product descriptions
- ▶ Lack of standardized naming conventions limit product comparisons
- ▶ Insufficient descriptive product information for key Physician Preference Items (PPI) products

What you may not know!

- ▶ 70-80% of all transaction errors are directly related to inaccurate product information
- ▶ 24% of supply chain management personnel time is spent correcting non-conformance errors
- ▶ 3% of spend is leaked through the hospital organization
- ▶ 8.7% of a nurses time is spent on searching for supplies
- ▶ Hospitals overpay 12% on PPI products

Pulled from Meperia Database

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Much of Supply Spend is Not Controlled

Leading to Inefficiencies and Cost Leakage

> • On average, Providers only have 22% of their spend attached to a contract in their MMIS system

> • ~40% of items (representing ~25% of invoiced supply spend) is not associated with a contract

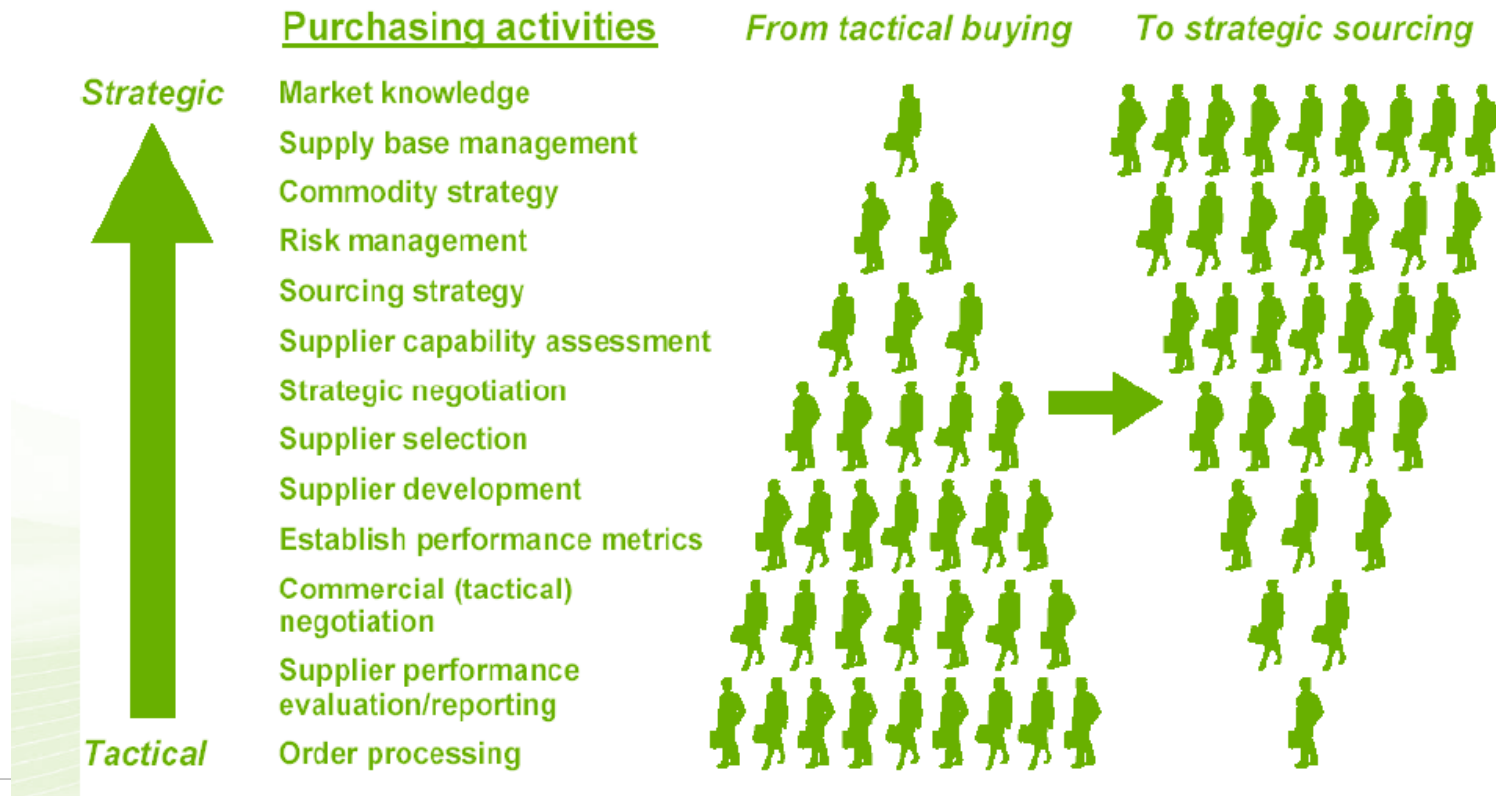Allscripts®

Mapping Data Across the Supply Chain is Complex

Challenging to Align Context using Non-Structured Data

3M Manufacturer

Vendor/Distributor

Henry Schein Inc — 7772799 avagard chg waterless scrub

Henry Schein Inc — 6015527 avagard chg surgical scrub

Cardinal Health — M9200 scrub avagard brushless-5331

Mckesson Medical Supply — 437989 cleanser, hand avagard

Medline Industries — MMM9200 scrub surg hnd avagard chg 1%

Mms – A Medical Supply Co — TM9200 cleanser hand avagard

Owens & Minor — 4509009200 scrub, avagard, surgical 9200

Professional Hospital Supply — 387097 scrub hand sanitizer avagard (8 per case)

Seneca Medical — 106463 scrub avagard soap 16.9 oz

3 M Surgical and Healthcare Personnel Hand Antiseptic with Moisturizers 9200

Group Purchasing Organization

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Helping make that transition from Tactical to Strategic…

Strategic Objective: Transform Your Supply Chain

Move From Tactical to Strategic

Purchasing activities

Strategic

- Market knowledge
- Supply base management
- Commodity strategy
- Risk management
- Sourcing strategy
- Supplier capability assessment
- Strategic negotiation
- Supplier selection
- Supplier development
- Establish performance metrics
- Commercial (tactical) negotiation
- Supplier performance evaluation/reporting
- Order processing

Tactical

From tactical buying

To strategic sourcing

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Strategic Supply Sourcing

Addressing the Problem Up Front

A "clean" item master is not the destination, it's the beginning

Patented artificial intelligence technology

- Structures data quickly and consistently as compared to non-automated processes

Intelligently structured content is the basis for:

- Alignment of data

- Increased visibility

- Enhanced workflow

Improve Product Identification

A Three Step Process

1.

Virtual Product Catalogs

- Helps expand the scope of products under management
- Helps eliminate the need for internal Item Master maintenance

2.

Improved Visibility

- All supply data in a single place
- Helps reduce the need for descriptive accuracy
- Allows for true formulary management

3.

Enhanced Technology

- Mobile applications bring information to point of need
- Market place type presentation layer helps improve understanding, comparison and ease of ordering

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Expand Access & Control via Virtual Catalogs

Distribution of Activity

Virtual Item Master

Secondary Search

Virtual Contract Master

Virtual Industry Catalog

Primary Search

Tertiary Search

Purchase History ~ 63,000 items

500,000 GPO items
A typical GPO

1.7 Million items

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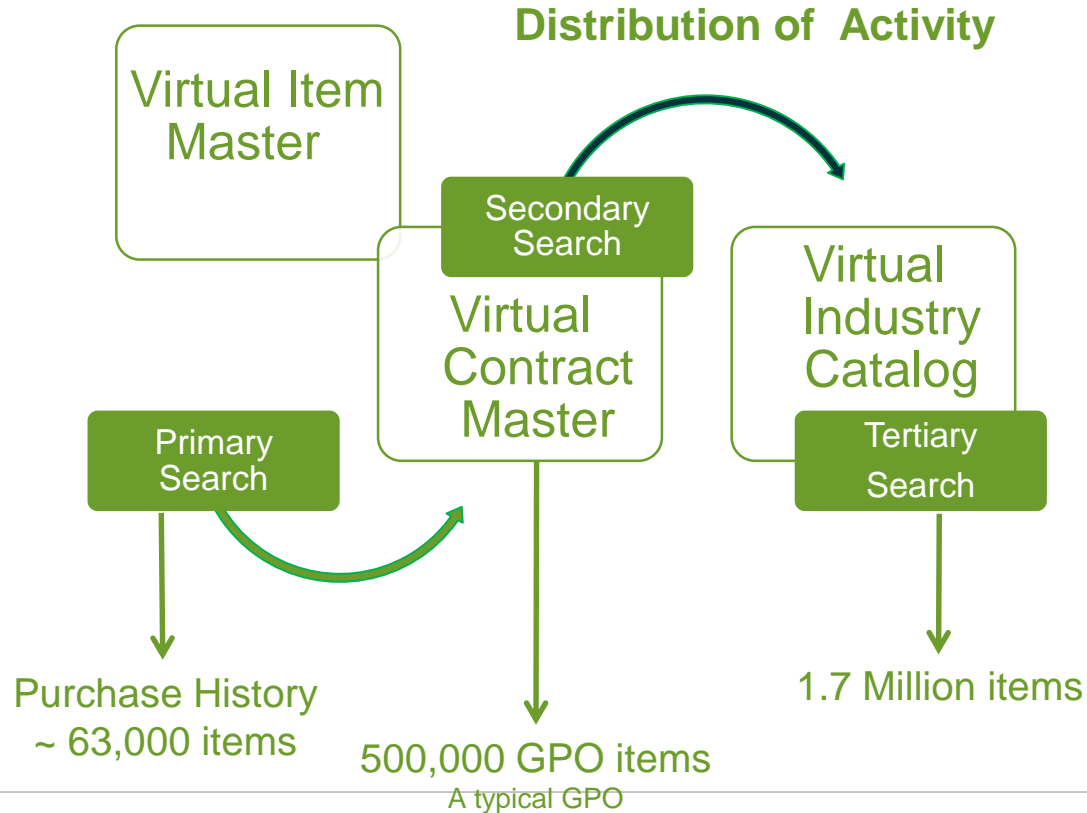
Benefits of Intelligent Virtual Catalogs

Increased spend visibility

Reduced or eliminated hospital IM maintenance

Improved contract optimization with visibility into contracted alternatives

Identification of optimal contract and price

More accurate cross-walk to the charge master

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Proactive vs. Reactive Management

Lean Processes for Price Management

Structured Content is a key

– Apply parameters to define your supply formulary

– Group products into product families

– Ensure accurate contract pricing for all available items before transactions are created

- Not limited by an organizations MMIS

- Maximizes the value of your Contract Portfolio

– Identify supply spend outside your portfolio

Enhance Price Management Capabilities

Analyze purchase/invoice data to determine the correct price for a given item at a point in time.

Manage future potential discrepancies by systematically creating local agreements

Identify overpayment and communicate with both Accounts Payable and the Vendor for remittance and adjustment

Monitor Vendor overall performance to identify "hidden cost" of discrepancy management

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Identify Contracts Hidden in Non-Compliant Spend

	Need To Be Reviewed	Approved / Rejected Price	Suggested To Send Email

Total no. of rows: 121   Search: Enter the search term

No.		Suggested Contract Price ($)	Lastest Invoice Price ($)	PO Price ($)	Current Vendor Item Price ($)	Current Vendor UOM	Current Vendor QOE	Corporation	Item Description
1	☐	12.2000	12.8000	12.6000	12.6000	EA	1	1001	CONTROL CHEMISTRY I-STAT CHEM 8+
1	☐	12.2000	13.0000	12.6000	12.6000	EA	1	1003	CONTROL CHEMISTRY I-STAT CHEM 8+
1	☐	12.2000	12.8000	12.6000	12.6000	EA	1	1004	CONTROL CHEMISTRY I-STAT CHEM 8+
1	☐	12.2000	13.2000	12.6000	12.6000	EA	1	1007	CONTROL CHEMISTRY I-STAT CHEM 8+
2	☐	6.5000	-	-	6.9000	EA	1	1001	CONTROL CHEMISTRY MEDISENSE GLU
2	☐	6.5000	-	-	6.9000	EA	1	1003	CONTROL CHEMISTRY MEDISENSE GLU
2	☐	6.5000	-	-	6.9000	EA	1	1004	CONTROL CHEMISTRY MEDISENSE GLU
2	☐	6.5000	-	-	6.9000	EA	1	1007	CONTROL CHEMISTRY MEDISENSE GLU
3	☐	75.4000	76.5000	76.0000	76.0000	BX	5	1001	GUIDEWIRE VASCULAR HI-TORQUE PIL(
3	☐	14.8000	15.5000	15.2000	15.2000	EA	1	1001	GUIDEWIRE VASCULAR HI-TORQUE PIL(
3	☐	75.4000	77.0000	76.0000	76.0000	BX	5	1003	GUIDEWIRE VASCULAR HI-TORQUE PIL(
3	☐	14.8000	15.6000	15.2000	15.2000	EA	1	1003	GUIDEWIRE VASCULAR HI-TORQUE PIL(
3	☐	75.4000	76.2000	76.0000	76.0000	BX	5	1004	GUIDEWIRE VASCULAR HI-TORQUE PIL(
3	☐	14.8000	16.0000	15.2000	15.2000	EA	1	1004	GUIDEWIRE VASCULAR HI-TORQUE PIL(
4	☐	76.5000	76.2000	76.0000	76.0000	EA	* 1	1001	GUIDEWIRE VASCULAR HI-TORQUE PIL(
4	☐	76.5000	76.3000	76.0000	76.0000	EA	1	1003	GUIDEWIRE VASCULAR HI-TORQUE PIL(

- Structured data can automatically suggest contracts

- Create pricing agreements from historical spend

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Reduce Spend Leakage

When a non-compliant item is requested:

✓ You know it is non-compliant

✓ Corrective action can be taken proactively

Holding the Vendors Accountable…

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Change the Focus of Vendor Performance

Assess "True" Performance

- Create a vendor "Score Card" that monitors and reports on the frequency of price variance by vendor

  - Cost of product can't be the only factor in doing business with a vendor

  - Administrative costs of doing business can negate the price savings

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Questions You May Want to Ask Yourself

What Would it Mean to an Organization!!!

1) How satisfied are you with current visibility to spend?

2) What would good quality attributed data bring you?

3) How is poor control impacting you, dept, organization?

4) What's at stake for your organization?

5) What would be the financial impact if you knew at the time of requisition users were purchasing contracted products at the contracted price?

Finding the right partner and product can help you transform your environment!

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Thank you!

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